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ORIGIN EB-03

INFO OCT-01 ISO-00 /004 R

66602

DRAFTED BY: EB/OF/FPD:RHKNICKMEYER

APPROVED BY: EB/OF/FPD:MPBOERNER

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P 031511Z JUN 75

FM SECSTATE WASHDC

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AMEMBASSY CANBERRA PRIORITY

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FOLLOWING SENT ACTION SECSTATE, INFO ROME, EC BRUSSELS, GENEVA,
MOSCOW, TOKYO, MAY 30, FROM LONDON RPTD TO YOU:

QUOTE LIMITED OFFICIAL USE LONDON 08145

ROME FOR FODAG

E.O. 11652: N/A

TAGS: ALR

SUBJECT: SECOND SESSION OF IWC PREP GROUP: VIEWS OF
KEY PARTICIPANTS

1. SUMMARY. SOVIET DEL (DENISOV) STARTLED MEETING BY
MAKING EARLY STATEMENT IN FAVOR OF NEGOTIATING NEW WHEAT
AGREEMENT TO INCLUDE STOCK PROVISIONS. JAPANESE FOLLOW-
ED WITH SIMILAR VIEW. THESE DEVELOPMENTS SEEM TO HAVE
CUT GROUND FROM UNDER EC DE-EMPHASIS OF IWC WORK ON
GRAINS. EC PURSUED DISRUPTIVE TACTICS EARLY IN MEETING
BUT LATER FELL SILENT. GENERALLY USEFUL DISCUSSION OF
TECHNICAL PAPERS PROCEEDED WITHOUT FURTHER SURPRISE.
MAIN ITEM FOR CONSIDERATION ON FRIDAY WILL BE FURTHER
WORK OF PREP GROUP. END SUMMARY.

2. MORNING SESSION OF FIRST DAY'S MEETING OPENED WITH
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GENERAL DISCUSSION OF CONTENT OF NEW AGREEMENT ON GRAINS

IN CONTEXT OF PAPER ON ELEMENTS OF NEW AGREEMENT SUBMITTED BY CANADA. MOST SIGNIFICANT WERE STATEMENTS BY SOVIET AND JAPANESE DELEGATES SUPPORTING WORK IN IWC LEADING TO NEGOTIATION OF A NEW INTERNATIONAL WHEAT AGREEMENT. SOVIET STATEMENT WAS SHORT AND UNEQUIVOCAL. IT SAID THAT USSR WILLING TO PARTICIPATE IN NEGOTIATION OF NEW AGREEMENT WHICH INCLUDED ECONOMIC (PRICE) AND STOCK PROVISIONS. (SOVIET DEL CONFIRMED THIS STATEMENT WHEN QUERIED BY EC REP.). JAPAN, WHILE NOT AS DIRECT AS SOVIETS, ALSO INDICATED IT IS PREPARED FOR NEGOTIATION OF NEW AGREEMENT. JAPANESE DEL NOTED PROVISIONS DEALING WITH BOTH SHORTAGE AND SURPLUS SITUATIONS NEED TO BE INCLUDED. HE ALSO EXPRESSED WILLINGNESS TO CONSIDER AGREEMENT INCLUDING ALL GRAINS, BUT PREFERRED DEALING INITIALLY WITH WHEAT. IN JAPANESE VIEW, GRAIN TRADE AND FOOD AID SHOULD BE DEALT WITH IN SEPARATE CONVENTIONS. CONCLUDING BOW MADE IN DIRECTION OF SOME EVENTUAL RELATIONSHIP BETWEEN NEGOTIATION OF GRAINS AGREEMENT AND TRADE NEGOTIATIONS IN MTN.

3. EC REPRESENTED BY JACQUOT, WHO WAS IN EC DELEGATION AT MTN GRAINS SUB-GROUP JUST CONCLUDED IN GENEVA. PIERRE MALVE, EC OFFICIAL WHO HAD PREVIOUSLY BEEN SPOKESMAN AT MEETINGS IN FAO AND IWC ON SUBJECT OF GRAIN STOCKS, WAS NOWHERE TO BE SEEN. JACQUOT ATTEMPTED TO PLAY DISRUPTIVE ROLE AND SPOKE INITIALLY FOR OVER HALF HOUR, LASHING OUT AT "ACTIVISTS IN WHEAT COUNCIL" WHO PRESS FOR DISCUSSION OF BASIS FOR NEW AGREEMENT BUT FAIL TO SUBMIT PAPERS WITH COVERAGE THEY HAD AGREED TO PROVIDE. HE ASKED RHETORICALLY IF CURRENT MEETING WAS NOT "INOPPORTUNE" AND CRITICIZED CANADIAN PAPER AS INADEQUATE BASIS FOR NEW AGREEMENT.

4. SOMEWHAT PROVOKED, SINCE CANADIAN PAPER WAS LIST OF ELEMENTS FOR DISCUSSION AND NOT EFFORT TO DESCRIBE TERMS OF AN AGREEMENT, CANADIAN DEL STRUCK BACK AND QUESTIONED EC SINCERITY. HE WAS JOINED BY US AND AUSTRALIA. THIS SPARRING CONTINUED THROUGHOUT MORNING.

5. AFTERNOON SESSION DEVOTED MAINLY TO DISCUSSION OF LIMITED OFFICIAL USE

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METHODS FOR TRIGGERING ACTIVATION OF STOCK PROVISIONS. AUSTRALIAN PAPER ON PRICE INDICATOR WELL RECEIVED, ALTHOUGH ITS TECHNICAL SHORTCOMINGS WERE OBJECT OF COMMENT, ESPECIALLY BY US. CANADA NOTED ITS INTEREST IN FLOOR PRICE OBJECTIVE AND WILLINGNESS TO ALLOW PRICE MOVEMENTS TO REGULATE SUPPLY -- EMPHASIZING NEED FOR FLEXIBILITY IN APPLICATION OF INDICATOR CRITERIA.

6. US PAPER ON QUANTITATIVE TRIGGER WAS DISCUSSED AND CRITICIZED MAINLY FOR RELYING ENTIRELY ON DEVIATION FROM PRODUCTION AS INDICATOR, TO EXCLUSION OF CONSUMPTION FACTORS. SEVERAL DELEGATIONS, ESPECIALLY JAPANESE, NOTED INTEREST IN HEARING COMPREHENSIVE US STATEMENT ON RESERVES ASPECT OF GRAINS AGREEMENT. EGYPTIAN DEL WAS PARTICULARLY OPPOSED TO US APPROACH COMBINING WHEAT AND RICE FOR FOODGRAIN RESERVE.

7. US PAPER ON RELATIONSHIP OF FOOD AID TO GRAIN RESERVES ALSO PRESENTED. FEW COMMENTS IT DREW WERE FAVORABLE. JAPANESE, IN PARTICULAR, VIEWED SEPARATION BETWEEN GRAIN TRADE AND FOOD AID PROVISIONS IN NEW AGREEMENT AS DESIRABLE.

8. FURTHER DISCUSSION OF US PAPERS AND CONSIDERATION OF EGYPTIAN PAPER ON PREFERENTIAL PRICING FOR LDGS SCHEDULED FOR FRIDAY MORNING, WITH CHAIRMAN AIMING AT NOON ADJOURNMENT. THERE SEEMS TO BE GENERAL SENTIMENT IN FAVOR OF FURTHER PREP GROUP SESSION FOLLOWING IWC COUNCIL AT END JUNE, ALTHOUGH EC HAS NOT YET EXPRESSED A VIEW ON FUTURE WORK. THIS WILL BE CONCLUDING ITEM OF CURRENT MEETING. DECON 5/30/76. SPIERS UNQUOTE. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE128751
Document Source: CORE
Document Unique ID: 00
Drafter: EB/OFP/FPD:RHKNICKMEYER
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750194-0050
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750685/aaaaczbyb.tel
Line Count: 138
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 15 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 APR 2003 by ElyME>; APPROVED <25 SEP 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SECOND SESSION OF IWC PREP GROUP: VIEWS OF KEY PARTICIPANTS
TAGS: ALTR
To: OTTAWA CANBERRA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006